

JAMESTOWN-YORKTOWN FOUNDATION

**REPORT ON AUDIT
FOR THE YEAR ENDED
ENDED JUNE 30, 2006**



AUDIT SUMMARY

Our audit of the Jamestown-Yorktown Foundation for the year ended June 30, 2006, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System; and
- one matter involving internal control and its operations and compliance with applicable laws and regulations or other matters necessary to bring to management's attention.

- TABLE OF CONTENTS -

	<u>Pages</u>
AUDIT SUMMARY	
FOUNDATION HIGHLIGHTS	1
FINANCIAL OPERATIONS	1-2
AUDIT FINDINGS AND RECOMMENDATIONS	2-3
AUDIT OBJECTIVES	4
AUDIT SCOPE AND METHODOLOGY	4-5
CONCLUSIONS	5
EXIT CONFERENCE AND REPORT DISTRIBUTION	5
FOUNDATION RESPONSE	6
APPENDIX A	7-8
FOUNDATION OFFICIALS	9

FOUNDATION HIGHLIGHTS

The Jamestown-Yorktown Foundation serves to educate and promote understanding and awareness of Virginia's role in the creation of the United States of America. The Foundation administers two living history museums, the Jamestown Settlement, located in Williamsburg, and the Yorktown Victory Center, located in Yorktown. The sites depict the lives of English settlers and Powhatan Indians at the dawn of colonial America and the lives of continental Army soldiers and Tidewater farming families during the Revolution.

In 1996, the Virginia General Assembly designated the Jamestown-Yorktown Foundation as "the official entity of the Commonwealth" in planning and implementing the Jamestown quadricentennial observance. Jamestown 2007 is a sub-agency of the Jamestown-Yorktown Foundation created in 1997 to plan and implement commemorative events marking the 400th anniversary of the founding of Jamestown, the first permanent English settlement in the Americas. The Jamestown 2007 Steering Committee, created by the Foundation, is working with state, local, and federal government entities, educational and preservation organizations, and citizen groups to plan a statewide commemoration that will heighten national awareness of Virginia's critical role in the development of America.

The goals of 400th anniversary are to capture the spirit, imagination, and diversity of Americans; develop that energy into a myriad of community programs, signature events, and national and international festivities; and showcase Virginia's unique role as the birthplace of modern America and the cradle of American democratic traditions, cultures, ideologies, and principles. America's Anniversary weekend took place May 11 through May 13, 2007. In preparation for the 400th anniversary new facilities opened to showcase the original site of the first permanent English settlement in North America.

The recently opened Visitor Center offers an overview of Jamestown's 92-year history as the capital of Virginia through exhibits and a multimedia presentation. Queen Elizabeth II visited Jamestown on May 4. Her 2007 visit occurred on the eve of America's Anniversary Weekend, the centerpiece of the 18-month international commemoration of the settlement's 400th anniversary. Anniversary Weekend reintroduced the world to Jamestown, helping visitors discover how the settlement made democracy, free enterprise, and cultural diversity defining characteristics of American society.

FINANCIAL OPERATIONS

	Fiscal Year 2006			Fiscal Year 2005
	Original Budget	Final Budget	Actual Expenses	Actual Expenses
Jamestown-Yorktown Foundation	\$ 15,182,222	\$15,807,337	\$15,070,935	\$ 12,247,314
Jamestown 2007	<u>6,522,025</u>	<u>7,281,130</u>	<u>6,738,954</u>	<u>2,013,591</u>
Total	<u>\$ 21,704,247</u>	<u>\$23,088,467</u>	<u>\$21,809,889</u>	<u>\$ 14,260,905</u>

In fiscal year 2006 significant payments made were for the following:

<u>Category</u>	<u>Jamestown-Yorktown</u>	
	<u>Foundation</u>	<u>Jamestown 2007</u>
Payroll expenses	\$ 10,460,305	\$ 1,046,163
Contractual services	3,047,179	1,365,929
Supplies and materials	634,544	128,292
Transfer payments	34,934	3,914,113
Continuous charges	608,849	6,161
Property and improvements	84,898	278,297
Equipment	180,148	-
Plant and improvements	<u>20,077</u>	<u>-</u>
Total 2006 expenses	\$ <u>15,070,935</u>	\$ <u>6,738,954</u>

Jamestown-Yorktown Foundation

The Foundation's operating budget in Fiscal 2006 totaled \$15.8 million. General funds comprise 58 percent of the operating budget, while non-general funds, which consist substantially of admissions revenue, account for the remaining 42 percent. An additional \$35 million in state support was approved in the 2004-06 biennium budget for capital and maintenance reserve projects. The Foundation also received revenue of \$7.4 million during fiscal year 2006. Museum admission fees of \$4.4 million and donations of approximately \$3 million comprise the majority of revenue. Payroll and fringe benefits and contractual services represent 90 percent of the Foundations total operating expenses for 2006. The Foundation also expended approximation \$17 million dollars for capital outlay. See capital outlay detail in Appendix A

Jamestown 2007

The Jamestown 2007's operating budget in Fiscal 2006 totaled \$7.2 million. The primary source of this funding is a fixed amount of \$4 million funds received from the Department of Motor Vehicles from license plate registrations. Transfer payments represent 58 percent of Jamestown 2007's total operating expenses. The majority of these payments were made to private affiliates in support of preparations for the 400th Anniversary Celebration. Payroll and fringe benefits and contractual services represent 36 percent of Jamestown 2007's total operating expenses.

AUDIT FINDINGS AND RECOMMENDATIONS

Improve Small Purchase Charge Card Procedures

Jamestown-Yorktown Foundation uses small purchase charge cards to make small purchases and we found the following.

- The card holders appear to prepare the small purchase card logs using the charge card statement, rather than when making purchases. This does not allow for the proper monitoring of the charge purchase and increases the risk that the Foundation may pay for a purchase it did not make.

- The auditor could not determine that Cardholders did not allow other individuals use the charge cards assigned to them for purchases. Allowing the use of the charge card by someone other than the cardholder increases unauthorized purchases or other inappropriate use of the card. Further, by card holders not completing a purchase log when charges occur, they reduce their ability to detect the unauthorized purchases.



Walter J. Kucharski, Auditor

Commonwealth of Virginia

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

April 12, 2007

The Honorable Timothy M. Kaine
Governor of Virginia
State Capital
Richmond, Virginia

The Honorable Thomas K. Norment, Jr.
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

We have audited the financial records and operations of the Jamestown-Yorktown Foundation's for the year ended June 30, 2006. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

AUDIT OBJECTIVES

Our audit's primary objectives were to evaluate the accuracy of recorded financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of the Foundation's internal controls, test compliance with applicable laws and regulations and review corrective actions of audit findings from prior year reports.

AUDIT SCOPE AND METHODOLOGY

The Foundation's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

- Contractual services expenditures
- Payroll expenditures
- Small purchase charge card
- Appropriations
- Cash receipting

We performed audit tests to determine whether the Foundation's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of the Foundation's operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

CONCLUSIONS

We found that the Foundation properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Foundation records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted one matter involving internal control and its operation and compliance with applicable laws and regulations that requires management's attention and corrective action. This matter is described in the section entitled "Audit Findings and Recommendations."

The Foundation has taken adequate corrective action with respect to audit findings reported in the prior year that are not repeated in this letter.

EXIT CONFERENCE AND REPORT DISTRIBUTION

We discussed this report with management on June 1, 2007. Management's response has been included at the end of this report.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

SLM/whb



An Agency of the
Commonwealth of Virginia

Accredited by the
American Association
of Museums

Vincent F. Callahan, Jr.
Co-Chairman

Thomas K. Norment, Jr.
Co-Chairman

H. Benson Dendy III
Vice Chairman

Suzanne O. Flippo
Secretary

M. Kirkland Cox
Treasurer

Philip G. Emerson
Executive Director

Jamestown-Yorktown Foundation

P.O. Box 1607, Williamsburg, Virginia 23187-1607
(757) 253-4838 (757) 253-5299 Fax (757) 253-5110 TDD www.historyisfun.org

May 29, 2007

Mr. Walter J. Kucharski
Auditor of Public Accounts
James Monroe Building
101 North 14th Street, 8th Floor
Richmond, VA 23219

Dear Mr. Kucharski:

I appreciate this opportunity to respond to the findings regarding small purchase charge cards identified in the Jamestown-Yorktown Foundation Internal Control and Compliance Audit for the year ended June 30, 2006. Regarding your first finding, cardholders have completed two mandated training sessions since these events occurred, and should understand the importance of maintaining logs in chronological sequence as purchases are made. However, we are developing a plan over the next thirty days to supplement this training and strengthen enforcement to ensure compliance with small purchase charge card procedures and adequate internal controls. Regarding your second finding, we are adding a certification line to the charge card log for the cardholder and supervisor to acknowledge, stating that all purchases have been made by the cardholder, as we understand that this resolves the finding.

I will be reviewing the audit findings with our Board of Trustees and discussing your comments with them. Please extend our appreciation to your staff for their assistance with this audit. Thank you for the opportunity to respond to your comments for publication with the report.

Sincerely,

Philip G. Emerson

PGE/JJL/jlp

cc: The Honorable Vincent F. Callahan, Jr.
The Honorable Thomas K. Norment, Jr.
The Honorable M. Kirkland Cox
Mr. J. Jeffrey Lunsford
Ms. Jean L. Puckett

An Equal Opportunity Employer/
Affirmative Action Organization



www.americas400thanniversary.com

educating • interpreting • preserving • commemorating

APPENDIX A

JAMESTOWN-YORKTOWN FOUNDATION
SCHEDULE OF CAPITAL PROJECTS
as of June 30, 2006

Project Number	Projects	Total Appropriations	General Fund	Special Revenue
15894	Visitor Reception and Café	\$ 6,180,000	\$ 4,885,000	\$ 880,000
16024	Jamestown Interim Exhibit of the Collection	2,816,153	-	25,000
16025	Park Entry for Jamestown's 2007 Celebration	694,000	5,418	-
16026	Jamestown Theater and Exhibit Gallery	31,884,106	635,726	1,500,000
16027	2007 Commemorative Monument	29,200	29,200	-
16133	Jamestown Entrance Plaza, Parking Lots, Roadways Jamestown Riverfront Amenities and Shipwright	5,443,000	139,950	300,000
16469	Building	1,964,920	117,920	1,847,000
16472	Central support Complex	7,492,940	217,231	8,966
16473	Jamestown Maintenance Building	841,315	33,315	-
16474	Jamestown Powhatan Village	1,911,364	78,943	488,000
16475	Jamestown Fort (Construction of 9 Buildings)	2,109,000	53,000	600,000
16476	Jamestown Ships	4,739,420	671,550	1,823,000
16670	Jamestown 2007 Special Exhibition	5,325,000	-	5,325,000
16977	Replace JCSA Sewer Pump Station	513,215	136,215	-
16978	Renovate Yorktown Exhibits	1,395,000	-	-
17122	Improvements: Mathews Gallery Lighting	585,000	-	-
17209	Land Acquisition	<u>4,369,000</u>	<u>3,000,000</u>	<u>1,369,000</u>
Total		<u>\$78,292,633</u>	<u>\$ 10,003,468</u>	<u>\$ 14,165,966</u>

<u>Bond Proceeds</u>	<u>Other</u>	<u>FY 2006 Expenditures</u>	<u>Prior Year Expenditures</u>	<u>Project Balance June 30, 2006</u>
\$ 415,000	\$ -	\$ 33,834	\$ 6,023,989	\$ 122,177
2,791,153	-	23,849	2,199,489	592,815
688,582	-	-	582,898	111,102
29,748,380	-	8,456,925	17,710,738	5,716,443
-	-	6,708	22,492	-
4,933,050	70,000	440,940	4,687,210	314,850
-	-	781,868	198,490	984,562
7,238,770	27,973	160,433	7,069,401	263,106
808,000	-	616,058	92,031	133,226
1,274,000	70,421	1,113,831	125,496	672,037
1,456,000	-	255,487	419,133	1,434,380
1,527,450	717,420	2,414,733	189,415	2,135,272
-	-	1,559,370	327	3,765,303
377,000	-	10,454	4,049	498,712
1,395,000	-	500,698	189,381	704,921
585,000	-	147,986	45,600	391,414
-	-	-	-	4,369,000
<u>\$ 53,237,385</u>	<u>\$ 885,814</u>	<u>\$ 16,523,174</u>	<u>\$ 39,560,139</u>	<u>\$ 22,209,320</u>

FOUNDATION OFFICIALS

Philip G. Emerson, Executive Director

BOARD OF TRUSTEES

The Honorable Vincent F. Callahan, Jr., *Co-Chairman*

The Honorable Thomas K. Norment, Jr., *Co-Chairman*

The Honorable H. Benson Dendy III, *Vice Chairman*

Suzanne O. Flippo, *Secretary*

The Honorable M. Kirkland Cox, *Treasurer*

A. Marshall Acuff, Jr.

The Honorable L. Ray Ashworth, *Chairman Emeritus*

Mary Frances Bailey

The Honorable William T. Bolling

William P. Butler

The Honorable John H. Chichester

The Honorable Stuart W. Connock

Shirley Custalow-McGowan

Thomas A. DePasquale

Ann Parker Gottwald

The Honorable H. Morgan Griffith

The Honorable Phillip A. Hamilton

The Honorable Frank D. Hargrove, Sr.

Phyllis M. Henderson

A. E. Dick Howard

The Honorable Janet D. Howell

The Honorable William J. Howell

The Honorable Johnny S. Joannou

Sheila C. Johnson

Reginald N. Jones

The Honorable Timothy M. Kaine

The Honorable Robert F. McDonnell

Nigel W. Morris

The Honorable Thomas R. Morris

The Honorable Kenneth R. Plum

The Honorable Harry R. Purkey

The Honorable Frederick M. Quayle

Norma C. Ramsey

The Honorable Melanie L. Rapp

The Honorable John C. Watkins

Mrs. Laura R. Wright

